

NEW BRUNSWICK TEACHERS' PENSION PLAN



FALL 2016 - Volume 2, Issue 2

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MESSAGE FROM THE CHAIRPERSON

Your Board of Trustees is pleased to present our Fall 2016 newsletter with the latest news on your pension plan. As your Board, it is our responsibility to ensure that we keep you up to date on what is happening with your plan.

We are pleased to report that the maximum cost of living adjustment allowed under the plan will be provided for the third year in a row since the plan converted to the New Brunswick Teachers' Pension Plan (NBTPP) in 2014.

The Board is also very pleased that Vestcor Investment Management Corporation and Vestcor Pension Services Corporation became operational on October 1. A significant amount of work has gone into establishing this new governance structure which meets industry best practices.

If there is something that you would like to see in a future newsletter, please let us know.

Sincerely,

Larry Jamieson, NBTPP Chairperson

NBTPP Board of Trustees
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For questions, please
contact Vestcor Pension
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453-2296 (Fredericton) or by
email at pension@gnb.ca.

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DID YOU KNOW?

Did you know that you may be able to purchase prior periods of service under the New Brunswick Teachers' Pension Plan? The following section provides answers to commonly asked questions related to purchasing service.

HOW DO I BENEFIT FROM PURCHASING SERVICE?

By purchasing service, you increase your total number of years of pensionable service which:

- will increase the amount of your pension benefit when you retire; and
- may help you qualify for a reduced or unreduced pension sooner (age-service index).



WHAT TYPES OF SERVICE CAN BE PURCHASED?

The following is a list of some of the types of service that can be purchased:

Previously Refunded Service from one of the following plans:

- NBTPP / former *Teachers' Pension Act (TPA)* pension plan
- New Brunswick Public Service Pension Plan (NBPSPP) / former *Public Service Superannuation Act (PSSA)* pension plan (restricted to post-1991 service only)

Other Periods of Past Service:

- Supply Teaching in a NB Public School
- Maternity, Parental or Adoption Leave (up to 1 year maximum per birth event)
- Education Leave (1 year maximum)
- Authorized Leave of Absence without Pay (2 year maximum)
- Full-Time Teaching Service in a Public School elsewhere in Canada (restricted to post-1991 service only)

For a comprehensive list of the types of service that may be purchased, please refer to the NBTPP booklet: www.vestcor.org/nbtp

HOW MUCH DOES IT COST TO PURCHASE SERVICE?

The cost to purchase prior periods of service will depend on the following factors:

- the type of service being purchased;
- the amount of service being purchased;
- your salary rate at the time of application (the higher the salary, the more the service will cost); and
- the employee contribution rate at the time of application (contribution rates are scheduled to increase over the next few years).

To obtain an estimated cost to purchase service, an online purchase of service calculator is available at the following address: www.gnb.ca/00163/pension/1/poseca/index.asp?language=E

HOW CAN I PAY FOR MY PURCHASE OF SERVICE?

You can choose one or a combination of the payment methods described below:

1

Lump sum payment: personal cheque, money order, direct transfer of funds from an RRSP or using all or part of your retirement allowance.

2

Bi-weekly payroll deductions: purchase of service contributions, including interest charges, are deducted for a set number of pay periods.

HOW DO I APPLY TO PURCHASE SERVICE?

In order to obtain an official purchase of service costing estimate, please complete a purchase of service application with your Human Resources/Payroll Office. Your application will then be submitted to Vestcor Pension Services Corporation for processing. Once you receive your purchase of service costing estimate, you will have 90 days in which to elect the purchase of service.



2017 INDEXING ADJUSTMENT BENEFIT

The NBTPP provides for an Indexing Adjustment Benefit (IAB) each year as long as there is a large enough surplus in the pension plan, up to a maximum Consumer Price Index (CPI) of 4.75%.

For January 2017 the maximum IAB that can be provided is 1.40% and is based on the increase in the average CPI for the 12-month period ending June 30, 2016.

For active teachers, benefits accumulated will be adjusted on the basis of 100% of the increase in the Consumer Price Index (CPI)

1.40%

For deferred members and retired teachers (including survivors), pensions will be adjusted on the basis of 75% of the increase in the Consumer Price Index (CPI)

1.05%

For active teachers and deferred members, the increase will be applied to the benefits that they have earned up to December 31, 2015. For retired teachers, the increase will be applied to their monthly benefits effective January 1, 2017.

PLAN TEXT AMENDMENT

The *Pension Benefits Act (PBA)* requires that plan members be provided with an update on any plan amendments. As such, the Board of Trustees would like to inform you of the following:

Formally re-established **purchase of service** provisions under subsection 22.2 of the NBTPP which were in effect under the repealed *Teachers' Pension Act*. These provisions (which include the reinstatement of the purchase of Local Permit Service; maternity, parental and adoption leave prior to 1992; and general leave without pay up to a limit of two years) have been honoured by the NBTPP's day-to-day administrator since conversion. In addition, a couple of **"housekeeping" amendments** in subsection 22.2 of the NBTPP were also filed. These amendments were filed with the Superintendent of Pensions on July 18, 2016.



CLIENT SATISFACTION SURVEYS

Over the coming months, client satisfaction surveys will be developed and provided to a sample of active plan members and retirees who have recently received services (e.g., request for pension estimates, purchases of service, etc.) from Vestcor Pension Services Corporation. The purpose of the surveys is to determine where improvements in service delivery can be applied. This initiative is consistent with Vestcor's ongoing objective to further provide accurate, reliable, and clear information in a timely manner.

MID-YEAR INVESTMENT REPORT

(FOR JANUARY 1 TO JUNE 30, 2016)

INVESTMENT OBJECTIVES

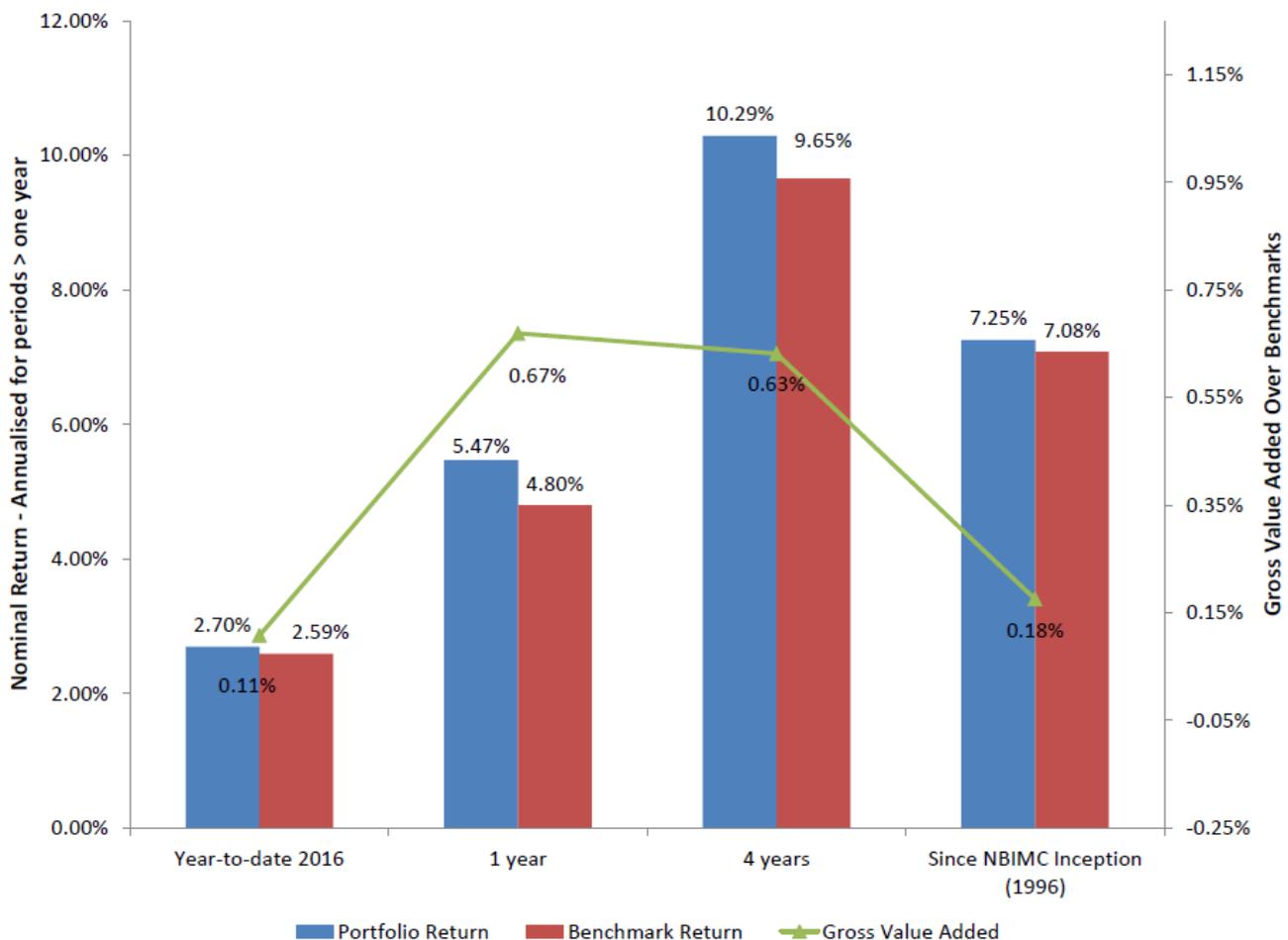
The long-term objectives for the investment of the pension fund are to preserve the capital value, provide the best possible long-term real return on investments and achieve the risk management goals as set out in the Funding Policy and the regulations under the *Pension Benefits Act*.

INVESTMENT RETURNS

We are pleased to report that the gross investment return for the NBTPP for the six months ended June 30, 2016 was 2.70% during a challenging investment environment against a total fund benchmark return of 2.59%. Long-term investment results remain in excess of the 5.75% annual long-term return required by the independent actuary. Investment returns were generally solid across each asset class as most of our investment portfolios produced positive nominal returns for the six months ended June 30, 2016.

Vestcor Investment Management Corporation's (VIMC) active investment management activities continue to produce gross investment value of approximately 0.11% over the investment policy benchmarks during this six-month period.

As of June 30, 2016



Total investment costs remained low at approximately \$4.097 million or 0.07% of assets under management.

MID-YEAR INVESTMENT REPORT (CONTINUED)

(FOR JANUARY 1 TO JUNE 30, 2016)

INVESTMENT ASSETS

The fair value of the NBTPP assets at June 30, 2016 was \$5.378 billion, up \$54 million from the December 31, 2015 fair value. Investment asset mix weights were held fairly close to investment policy targets during the period and the following pie chart outlines our asset mix at June 30, 2016.

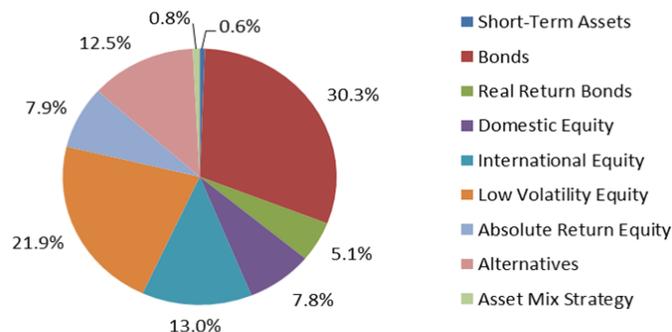
INVESTMENT OUTLOOK

Financial markets started 2016 in a volatile fashion with many of the negative themes we had seen from time to time in 2015 reappearing with a vengeance. The Chinese equity market dropped significantly during the first week of trading due to the recurring concerns of declining economic growth and a further lack of confidence with their local stock markets. A more general global recession fear subsequently took hold as energy and materials prices declined further, US corporate exports continued to struggle due to the high \$US, and European banking system funding concerns re-emerged.

The financial markets also struggled to try to interpret the impact of the new US Federal Reserve Board (Fed) interest rate tightening cycle that started in December, while almost all other global central banks continued to have a very accommodative monetary policy. This policy differential continues to have a significant impact on the value of the \$US, resultant global trade flows, and ultimately corporate earnings growth.

Market concerns were partially mitigated in February and March due to supportive statements from the European Central Bank and the US Fed, and continued slow but positive economic and corporate performance. Volatility however re-emerged strongly in late June thanks to the surprising outcome of the UK "Brexit" referendum to end their European Union membership. Most market pundits and economic indicators had forecasted a "remain" verdict, and the opposite outcome came as a significant shock to financial markets. European asset prices were impacted significantly with the UK currency in particular depreciating materially.

NBTPP FUND ASSETS AT JUNE 30, 2016



Considering the unknown impact of Brexit on an already low global economic growth rate, Central Bank interest rate increases are now firmly expected to be on hold until more measurable impacts become evident. Fixed Income market yields have continued to move significantly lower due to an even larger appetite for yielding assets, and riskier corporate and sovereign debt has showed strong gains.

North American and Asian (e.g., Japan) equity markets were generally positive during the period, while the Brexit shock negatively impacted European equities. A stronger Canadian dollar, after many months of decline, also negatively impacted foreign asset returns in \$C terms. Defensive higher dividend-paying equity securities performed well due to the above noted interest in yield. Financial company stocks were particularly hard hit due to a combined concern around the Brexit related impact to the already weak European financial sector and the view that continued low interest rates will impact income growth opportunities.

Our near-term view remains generally unchanged from prior periods. Although the absolute level of interest rates has continued to move lower there continues to remain a strong demand for perceived safe haven yield producing assets, and we therefore feel that rates can continue to remain at these relatively low levels for some time. The increased economic uncertainty brought about by the UK Brexit situation, in combination with the increasingly divisive upcoming US election will likely continue to keep markets volatile. We also continue to remain cautiously biased towards equities as a more attractive asset class versus a number of similar highly priced alternative choices in a continued low growth environment.

VESTCOR ORGANIZATION OPERATIONAL

The new organization has officially been in place since October 1, 2016. The Pensions and Employee Benefits Division became Vestcor Pension Services Corporation (VPSC), and the New Brunswick Investment Management Corporation became Vestcor Investment Management Corporation (VIMC).

Jointly-owned by the trustee boards of the New Brunswick Teachers' Pension Plan (NBTPP) and the New Brunswick Public Service Pension Plan (NBPSPP), these non-for-profit organizations follow industry best practices and are a natural evolution in servicing the plans. They will provide services to their current clients but will also be better able

to accept new public sector clients for pension and employee benefit plan administration and/or investment management services. Adding new clients can potentially reduce the expense to each individual plan by spreading these administrative costs over more clients, which benefits all clients.

You will continue to be served by the same expert team that has been providing services to your plan for years. For more information, visit Vestcor.org.

SOCIÉTÉ DES SERVICES DE RETRAITE
VESTCOR
PENSION SERVICES CORPORATION

SOCIÉTÉ DE GESTION DES PLACEMENTS
VESTCOR
INVESTMENT MANAGEMENT CORPORATION

EMPLOYEE STATEMENT OF PENSION BENEFITS

The NBTPP Employee Statement of Pension Benefits is produced on an annual basis and provides detailed information regarding your NBTPP pension benefits up to the statement period end date. The statements for the period of September 1, 2015 to August 31, 2016 are targeted to be distributed by the end of December 2016.



REMINDER FOR RETIREES

If you are a retiree, you can receive future communiqués from the Board of Trustees via email. Simply contact Vestcor Pension Services Corporation at 1-800-561-4012 (toll free) or 453-2296 (Fredericton) or by email at pension@gnb.ca and provide your email address.

Your pension is deposited on the 24th of each month, unless, the 24th falls on a weekend or holiday.

Here are the deposit dates for 2017:

January	24	April	24	July	24	October	24
February	24	May	24	August	24	November	24
March	24	June	23	September	22	December	18

For questions, please contact Vestcor Pension Services Corporation toll free at 1 (800) 561-4012 or 453-2296 (Fredericton).

DISCLAIMER: This publication is intended to provide information about the New Brunswick Teachers' Pension Plan. If there is a discrepancy between the information contained herein and the NBTPP Text, the latter will prevail.